SSA/IRS

# Reporter

Winter 1999

A Newsletter
for Employers

Social Security
Administration

Internal
Revenue Service

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## Social Security Announces Changes for 2000

To begin the new millennium, the Social Security wage base for 2000 is $76,200, up from $72,600 in 1999. Beginning January 1, 2000, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to $76,200 and withhold the Medicare tax (1.45 percent) on all wages. Employers must match the tax payments withheld from employees' wages.

In 2000, an employee earns one Social Security credit for each $780 in earnings, up to a maximum of four credits for the year.

Working Social Security beneficiaries can earn more in 2000 before their benefits are reduced.

■ Beneficiaries under age 65 in 2000 can earn $10,080 before their benefits are reduced. For every $2 a person under age 65 earns over $10,080, $1 is withheld from benefits.

■ Beneficiaries between the ages of 65 and 69 can earn $17,000 in 2000 without reducing their Social Security benefits. For every $3 a person earns over $17,000, $1 is withheld from benefits.

■ Benefits are not reduced for people age 70 or older who continue to work, regardless of how much they earn.

Anyone receiving Social Security disability benefits must report all of their wages, no matter how little they earn. SSA

## New Taxpayer Advocate Service Helps With Unresolved Tax Issues

**Positive changes are underway at the IRS. As a result of new tax legislation, the Problem Resolution Program has been reorganized to better serve your needs. It's now called the Taxpayer Advocate Service with more independence from the IRS and increased staff and authority to help solve difficult tax problems.**

**Here's how it works: If you have a tax problem you should first try to resolve it through the usual IRS channels. If your attempt to deal with an IRS problem is unsuccessful, you should contact your local Taxpayer Advocate. They will assign you a personal advocate who is ready to listen to your point of view and address your concerns quickly and fairly.**

**While Taxpayer Advocates cannot change the tax law, they can clear up problems that resulted from previous contacts with the IRS and ensure that your rights as a taxpayer are protected. The Taxpayer Advocate is also your**

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IRS

Department of the Treasury
**Internal Revenue Service**

www.irs.gov

Publication 1693 (Rev.9-99)
Catalog Number 15060W

Social Security Administration
**www.ssa.gov/employer**
**800-772-6270**

## IRPAC Provides Reporting Advice For Employers By Employers

Employers and other filers of information returns are represented on a key IRS Advisory Committee known as the Information Reporting Program Advisory Committee (IRPAC). IRPAC was created at the request of Congress and has been working closely with the IRS for the past eight years, providing advice concerning information reporting requirements, particularly as it relates to the filing of Forms W-2 and 1099. According to IRPAC, one of the most difficult issues faced by both the private sector and government agencies is the accuracy of payee names and Social Security Numbers (SSNs). Employers should be aware that employer W-2 submissions to the Social Security Administration (SSA) cannot be processed if the employee name and SSN combinations do not match what SSA has in its database. If W-2 submissions are returned for correction, employers may be subject to penalties of as much as $50 per W-2, even if the original submission was on time.

Inaccurate employee names/SSNs may be more common than you think. For example, employees who change their name (i.e., due to marriage) often forget to tell either the SSA or their employer of the change, resulting in an unposted W-2. In addition, starting this year the SSA will send a new Social Security Statement annually to most workers over 25 years of age. These statements will display the annual earnings that are posted to the recipients' Social Security records, and will provide estimates of future Social Security benefits. Earnings may be missing if the SSN and/or name that the employer has on file for an employee does not match SSA's database.

## Taxpayer Advocate Service

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**contact if you face significant hardship unless IRS relief is granted.**

**When you contact the Taxpayer Advocate Service you should be prepared to provide:**

- **Your name, address and social security number**
- **Your telephone number and hours you can be reached**
- **The type of tax return and year(s) involved**
- **A detailed description of your problem**
- **Your previous attempts to solve the problem, and the IRS office you contacted, and**
- **Description of the hardship you are facing (if applicable).**

**To contact you local Taxpayer Advocate please call toll-free, 1-877-777-4778.** IRS

## Work Longer, Increase Social Security Benefit Amount

Not everyone rushes to fill out retirement papers when they reach retirement age. People are living longer and they're working longer. Nearly 13 percent of today's population are retirement age—65 or older. Twenty years from now, the percentage is expected to be about 20 percent.

Continuing to work after reaching retirement age is a personal decision. Sometimes it's based on the individual's personal finances. Whatever the reason, workers find that working after reaching retirement age can produce a higher monthly Social Security benefit. Each additional year a person works adds another year of earnings to his or her Social Security record. And higher lifetime earnings may result in higher retirement benefits.

In addition, the worker's monthly benefit automatically increases by a certain percentage each year he or she delays retirement and continues to work between full retirement age and 70. The percentage ranges from 3 percent to 8 percent, depending on the worker's year of birth. For example, the benefit for a person born in 1935 will be increased by 6 percent each year.

Employees with questions about Social Security retirement benefits may call or visit their local Social Security office or call 1-800-772-1213 to request a copy of this booklet, "Social Security-Retirement Benefits", (Publication No. 05-10035). Employees should type www.ssa.gov if they prefer to contact us by internet. SSA

### What Can Employers Do?

1. Ask newly hired employees to show you a copy of their Social Security card. You may ask your employee to see his or her social security card. If it is available, the employee should show it to you and you may photocopy it. If it is not available, ask the employee to verify that the number is correct. See section 4 of the 1999 Publication 15, *Employer's Tax Guide.* IRS publications, forms and instructions may be ordered by calling 1-800-TAX-FORM (829-3676), or by visiting the IRS' website at www.irs.gov.

2. Take advantage of SSA's free and convenient methods for verifying employee names and SSNs:

**Telephone Verification—** Depending on call volumes, up to 50 names and social security numbers can be verified. To use this service, call the Employer Reporting Service Center at 1-800-772-6270.

**Large Volume Verifications—** Larger verification requests are handled by SSA's electronic Enumeration Verification Service (EVS). The EVS is available to employers and third-party submitters, but pre-registration is required. For more information, call SSA's Employer Reporting Service Center at 1-800-772-6270, or visit SSA's web page for employer reporting information at www.ssa.gov/svcs.htm.

By taking action now to ensure the ongoing accuracy of your W-2 submissions, you can avoid future problems such as possible penalties, rejected or unposted W-2 reports, and employee questions due to missing earnings. IRS

# IRS Uses Technology to Improve the Power of Attorney Process

The Internal Revenue Service is using technology to make it easier for taxpayers and their designated representatives to receive more timely service. The IRS is now storing data relating to the Power of Attorney in a universally accessible electronic data base. This allows taxpayers to file their Power of Attorney forms at any service center handling their tax matter and allows instant access to the data by IRS employees regardless of their location.

The universally accessible data base eliminates the need to ship paper documents from one location to another or to repeatedly request faxes or mailings from the taxpayer or their representative. To save time, taxpayers or their representatives are urged to fax their signed Forms 2848 and 8821 to one of the fax numbers listed on the IRS internet site, http://www.irs.gov, under the Tax Professionals Corner.

Taxpayers use Forms 8821 *(Tax Information Authorization)* or 2848 *(Power of Attorney)* to designate an appointee to receive and inspect their confidential tax information or to represent them before the IRS. The forms require the taxpayer to specify the type of tax matter and the period of time for which the Power of Attorney is effective. IRS

## IRS Offers Educational Outreach to 403(b) Tax-Sheltered Annuities

**The IRS has an educational outreach program designed to create a partnership with the public in order to increase understanding and compliance with the tax law applying to tax-sheltered annuity arrangements. This educational outreach program is called the Section 403(b) Tax-Sheltered Annuity Partnership for Compliance. Under the Partnership for Compliance, trained and experienced IRS employees are available to provide educational services relating to tax-sheltered annuity arrangements including delivering speeches, participating in panel discussions, conducting training sessions and helping prepare newsletter articles.**

**You may find additional information on the Service's educational outreach to 403(b) Tax-Sheltered Annuities on the Employee Plans Corner Web Page at: http://www.irs.gov/prod bus_info/ ep/index.html** IRS

## EFTPS for the Year 2000

**EFTPS is on a roll for 2000! More than 2.5 million taxpayers are now enrolled.**

**Remember... the requirement for using EFTPS was changed from $50,000 to $200,000. That means if you made total business tax deposits of more than $200,000 in 1998, you are required to make all of your Federal tax deposits electronically beginning January 1, 2000. This requirement includes employment, excise or corporate income tax.**

**Any business can use EFTPS. If you have not enrolled in EFTPS, now's the time. To receive an enrollment form, or additional information, please call EFTPS Customer Service at 800-555-4477 or 800-945-8400. Information about EFTPS is also available under "Electronic Services" on the IRS Digital Daily Web site: www.irs.gov. Join the millions already enjoying the ease and convenience of making electronic payments through EFTPS. Enroll today!** IRS

EFTPS™
Electronic Federal Tax Payment System

# Attention SSA MMREF Format Filers

Effective October 4, 1999 filers who use the Magnetic Media Reporting and Electronic Filing (MMREF) specifications to submit wage reports to SSA can download shareware to check the accuracy of the W2C submission format. The new shareware, AccuW2c, can be downloaded via the Internet at www.ssa.gov/employer_quick_ref_guide.html or via the Online Wage Reporting Service by modem at 410-966-8450. This software is in addition to the AccuWage software introduced last year which provided the ability for filers to verify the accuracy of W2 MMREF formatted submissions. A new version of AccuWage (AccuWage 99) is available to check tax year 1999 W2 MMREF formatted submissions.

Both of these applications can be used on a PC running a Windows 3.1 or higher operating system to test MMREF formatted files before submitting to SSA. The shareware identifies formatting errors that filers can fix, improving the accuracy of data submitted to SSA and reducing the likelihood that a file will be rejected. A user's guide and help files are included in the software to assist with using this software.

The MMREF is SSA's new reporting specifications all employers (except paper filers) will be required to convert to beginning with tax year 2001 (that's W-2s due in 2002). SSA

# Help For Small Businesses

The Internal Revenue Service (IRS) is striving to make incremental improvements in customer service for small businesses. One such effort is the development of the second edition *Small Business Resource Guide* on CD-ROM.

The IRS and Small Business Administration (SBA) developed the interactive CD-ROM, S*mall Business Resource Guide: What You Need to Know About Taxes and Other Topics* in order to provide small businesses with easy to access and understand answers to their tax questions and other important topics. In addition to organizing tax and non-tax information by business life cycle, the CD-ROM provides all of the tax forms (in fill-in-the-blank format), tax publications, and direct Internet links to other regulatory agencies.

Feedback received from small businesses, small business counselors, and tax practitioners has been overwhelmingly positive and work is now proceeding on the next generation CD-ROM. The new CD-ROM will be updated and include the latest tax forms and publications available at the time it goes to press. Forms and publications that become available later will be accessible via a direct link to the "UPDATES" section on the IRS Web site. The 2000 edition will also be expanded to include more information, more external links, tutorials, and alternative indexing to make it even easier to research topics and locate information.

A new process under development for the CD is a registration option which users of the CD-ROM may choose to exercise during the installation process. Registering will include the customer in the distribution of special e-mail announcements that are of interest to small businesses.

Look for the *Small Business Resource Guide 2000* in early February 2000. This second-generation small business CD will be available to small businesses while the supply lasts. To request your copy call 1-800-TAX-FORMS. The small business CD-ROM will also be made available at SBA, Business Information Centers. IRS

## Bulletin Board Changes at IRS

The IRS Martinsburg Computing Center has retired the Information Returns Program-Bulletin Board System (IRP-BBS) effective October 31, 1999, and replaced it with the Filing Information Returns Electronically (FIRE System). The IRP-BBS had been in operation since November 1990 and provided a low-cost solution for employers to download publications and forms. Employers had also used the IRP-BBS to file Forms 1042-S, 1098, 1099, 5498, and W-2G information returns.

However, because the IRP-BBS was found not to be Y2K compliant, IRS developed the FIRE System which will provide sufficient capacity for the foreseeable future and also provide the transmitter with improved interface options and higher line speeds.

The FIRE System is operational 24-hours-a-day, 7-days-a-week at 304-262-2400. FIRE can be accessed using your dial-up network/web browser or communications software such as Hyperterminal, Procomm, etc. Once a file has been transmitted to FIRE, file results are posted on the system within 2 business days.

Forms and publications are not available on the FIRE System. They can be downloaded from the IRS's Internet Web Site at www.irs.gov. Call the IRS at 304-263-8700 if you have any questions about FIRE or are experiencing problems with the system. IRS

# Form 941 Using a Personal Computer and a Modem

Beginning April 1, 2000, IRS will be offering the opportunity for businesses to prepare and file their Form 941, *Employer's Quarterly Federal Tax Return* using a personal computer, modem and off-the-shelf tax preparation software. The tax return information will be transmitted to the IRS through a third party. This program provides another option for filing Form 941 electronically which will save time and reduce paperwork. Additionally, it supports and enhances the IRS's initiative to expand the use of electronic filing options overall.

The 941OLF Program is available to businesses, software developers and/or transmitters. To file the Form 941, *Employer's Quarterly Federal Tax Return* electronically, an application must be submitted as required by Revenue Procedure 97-47. Applicants must pay special attention to Revenue Procedure Section 9. In addition, applicants must obtain Publication 1855, *Technical Specification Guide for the Electronic Filing of Form 941, Employer's Quarterly Federal Tax Return.* Applicants must agree to transmit an initial electronic transmission (known as a test file) which must be completed by the test file due date preceding the corresponding quarter's due date. The IRS will notify each applicant in writing regarding approval or denial of their application.

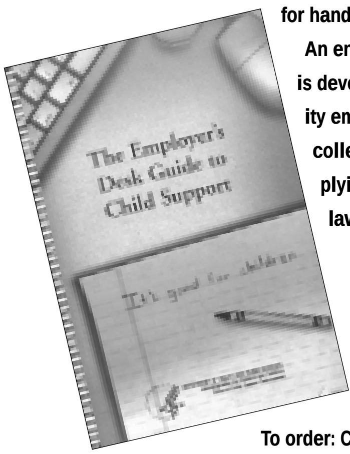
The 941 On-Line Filing (OLF) Program is easy and convenient. Business filers must first apply for a Personal Identification Number (PIN) by completing the Letter of Application (LOA) included in the software and file it electronically with the third party transmitter. The third party transmitter will receive the LOA from the business filer and electronically transmit the information to the Austin Service Center (AUSC). The business filer will then receive a PIN in the mail from the Service. The PIN is used in lieu of the business filer's signature for the electronic return. Once they receive the PIN, participants can file Form 941 electronically. For more information about the program, you may call the IRS *e-file* Help Desk Austin Service Center at (512) 460-8900. (This in NOT a toll-free number). IRS

## The Employer's Desk Guide to Child Support

**T*he Employer's Desk Guide To Child Support,* an easy-to-read reference desk guide, is now available for the payroll, human resource, legal or child support professional seeking a firm understanding of current child support processes. The federal Office of Child Support Enforcement (OCSE), with help from two payroll managers, has produced this new resource manual.**

**Whether you own a small business or process payroll for a large firm, you probably don't have the time to research all the legal issues or investigate every court order that comes across your desk. This compact guide is a handy textbook and reference work for handling all child support issues.**

**An entire section of the Desk Guide is devoted to each major responsibility employers have with respect to collecting child support and complying with state and federal laws:**




- **Reporting new hires**
- **Withholding income for child and medical support**
- **Disbursing payments and**
- **Reporting terminations.**

**To order: Contact the Government Printing Office (GPO) at (202) 512-1800, or visit the GPO web site. The GPO secure web site address is https://orders. access.gpo.gov/su_docs/sale/prf/prf.html. Ask for *The Employer's Desk Guide to Child Support* (stock number 017-091-00250-9), price $23.00 (includes shipping and handling).**

**Questions? Contact Savannagh Kacey at the federal Office of Child Support Enforcement at (202) 401-5410, e-mail skacey@acf.dhhs.gov.** IRS

# Employees May Ask Questions About Social Security Statement

Now that SSA is mailing annual Social Security Statements to workers age 25 or older, employers can expect some questions from employees about the Statements. The first questions may be "Why am I getting this Statement and what am I supposed to do with it?"

The law requires SSA to send a Social Security Statement each year to about 125 million workers to help them better understand what Social Security means to them and their families. Workers also are encouraged to use the Statement to help them plan their financial future. And now that's an easier task because the Statement provides workers with estimates of retirement, disability and survivors benefits they and their family may be eligible to receive now and in the future; and a year-by-year display of the earnings their employer(s) have reported to Social Security.

The Statement also tells employees the amount of Social Security and Medicare taxes their employer(s) has paid on their behalf. SSA urges employees to read their Statement carefully to make sure their earnings record is complete and accurate. If an employee's record is not correct, he or she should call Social Security right away. However, some employees may choose to contact their employer, especially if their question is about wages earned during their current employment.

Workers can expect to receive an updated Statement each year about three months before their birthday. For example, a person who was born in April can expect to receive his or her Social Security Statement in January.

Statements will not be sent to workers for whom SSA cannot obtain a current address or workers who —

- are already receiving Social Security benefits or have filed a claim for benefits;
- are under age 25 or over age 70; or
- have requested a Statement within the past 11 months.

SSA's website www.ssa.gov has a special location to help you and your employees find information about the Social Security Statement. You'll also find information about the Statement's possible impact on your payroll and personnel departments.

Click on www.ssa.gov/mystatment where you'll be directed to frequently asked questions and answers, a view of the new Social Security Statement, and the booklet "Employers Information about the Social Security Statement." The back of this edition of the *Reporter* includes a poster for your use in company bulletin boards or newsletters.

More information about Social Security and the Social Security Statement also is available by calling, writing or visiting a local Social Security office or calling SSA's toll-free number, 1-800-772-1213. SSA

# W-2 Electronic Filing Update

SSA recently announced a new registration process for annual wage reporting customers. The new process, known as the Integrated Registration for Employers and Submitters (IRES), was implemented on December 1,1999. It's

- more efficient
- reduces the costs to both employers and SSA and
- facilitates electronic reporting of wage data.

Under the new process, customers register on-line via the On-line Wage Reporting System (OWRS) by modem dialing (410) 966-8450, or by contacting a Social Security representative at (800) 772-6270. When fully implemented with the new reporting format for Magnetic Media Reporting and Electronic Filing (MMREF), the new process will eliminate the need for employers to send a paper IRS Form-6559 with their wage reports.

SSA's paramount interest is to ensure that the new electronic method of identifying wage report submitters provides the same security features as the prior paper-based method. Security features include message integrity, originator authentication, non-repudiation and confidentiality. The new registration process uses a Personal Identification Number (PIN) to identify a person who submits a wage report to SSA. This PIN replaces the signature required on a paper form. The PIN is issued to a person designated by the employer after SSA authenticates company and contact information provided by the person.

Some employers expressed concerns that the employee registering to upload the wage reports to SSA may not be the person who is legally responsible for the accuracy of the data in the reports. Others thought that SSA is being overly cautious. SSA representatives say that the system is designed to protect the privacy and confidentiality of sensitive IRS wage reporting data. SSA officials acknowledged that companies might have to review their internal delegation rules to accommodate electronic filing of wage reports.

IRES supports SSA's new on-line SSN validation service for employers to be implemented in September 2000. An effective registration process is critical to prevent unauthorized access to and potential fraudulent use of this service. SSA

## A Message to Employers About Social Security Numbers (SSNs) Issued for Non-Work Purposes

**All employees—citizens and non-citizens alike—hired after November 6, 1986, must complete Section 1 of the Immigration and Naturalization Service (INS) Form I-9, *Employment Eligibility Verification,* and attest, under penalty of perjury, that they are one of the following:**

- **a citizen or national of the United States**
- **a Lawful Permanent Resident Alien**
- **an alien authorized to work until a specified date.**

**All employers must complete Section 2 of Form I-9 by examining evidence of identity and employment eligibility at the onset of employment. Choices of acceptable documents which establish identity and employment eligibility are listed on the back pages of the Form I-9. One of the documents to choose from, but not mandatory for establishing employment eligibility, is a U.S. Social Security card issued by the Social Security Administration—other than a card stating it is not valid for employment.**

**Social Security cards with the legend (overstamp) "NOT VALID FOR EMPLOYMENT" are issued to legal aliens who are not eligible to work in the United States but need an SSN to meet a Federal or state statute requiring them to provide an SSN to get a particular benefit, such as food stamps, SSI, or a driver's license in some states. Work or non-work status is determined by the INS from the type of visa that is held by an individual. In addition, anyone holding a Social Security card issued for non-work purposes does not qualify for the Earned Income Tax Credit. This has been a Federal law since 1996.**

**The non-work Social Security cards look like regular Social Security cards, so how do you know if the individual is authorized to work if you don't actually look at the card and see the "NOT VALID FOR EMPLOYMENT" legend imprinted on the face of the card? You don't, so a prudent choice, in completing Section 2 of the Form I-9, would be to actually look at the potential employee's Social Security card. If their card has the "NOT VALID FOR EMPLOYMENT" overstamp but the individual states that INS has since approved them for work status, then you should ask to see a current INS document which shows work authorization status. You should also suggest that they visit their nearest Social Security office and present proof of their updated INS status in order to receive a replacement card with the overstamp removed.**

**If an employee shows you a card with the overstamp "VALID FOR WORK ONLY WITH INS AUTHORIZATION," you should ask to see a current INS document which verifies eligibility to work in the U.S.** SSA


# It's never too soon to start building a more secure future.

The sooner you start... the easier it is to meet your goals.

And that's why Social Security will be sending you an annual statement about three months before your birthday. It contains estimates of the Social Security benefits you and your family may be eligible for now and in the future. Use it to help you plan your financial future.

SOCIAL SECURITY
*The Future's In Your Hands.*
www.ssa.gov